

# Engaging Commercial Tenants and Occupants



# Tenant Influence on Energy Use

“ We designed the best, most energy efficient building you could possibly want, but then we ran into one big problem . . .

. . . the people moved in.”

-- Anonymous Architect



# Today's Panel

- Cindy Jacobs, Senior Advisor, EPA ENERGY STAR
- Daniel Egan, Vice President, Head of Sustainability and Utilities at Vornado Realty Trust
- Will Teichman, Senior Director of Strategic Operations at Kimco Realty Corp.





**2017 ENERGY STAR Commercial Buildings Partner Meeting | Oct. 24 – 25, 2017**

# Energy Efficiency Improvement Act of 2015

- Focused on significant potential for energy savings and environmental benefits through greater efficiency in tenant spaces
- Directed EPA to develop recognition for efficient tenant spaces as part of “a voluntary program within...Energy Star...to promote energy efficiency in separate spaces leased by tenants”





# Guideposts for EPA

- Objective
- Simple
- As indicative of expected performance as possible
- Encourages good, cost-effective design
- Provides opportunity for tenant-landlord engagement
- Relatively easy for EPA to administer
- Aligns with and supports ENERGY STAR whole building recognition



# EPA Steps to Implement Act

- Spring 2016
  - Held roundtable discussion with key ENERGY STAR partners and tenants to understand opportunities and challenges to efficiency in tenant spaces
  - Developed draft recognition criteria
  - Began working with Department of Energy on simple tool
- Fall 2016 – Released proposed criteria
  - Held stakeholder meetings in DC and San Francisco
  - Widely circulated proposed criteria for comment
- August 2017 – Launched pilot for office tenants



# How Will Tenants Earn Recognition?

- Meet 5 criteria and complete an application provided by EPA
  1. Estimate Energy Use
  2. Meter
  3. Light Efficiently
  4. Purchase Efficient Equipment
  5. Share Data
- Have a Professional Engineer or Registered Architect verify the information and stamp the application
- Submit the completed, stamped application to EPA – includes landlord information if applicable
- EPA reviews and awards the recognition





# Starting with Pilot: Charter Tenants

- Office tenants
- Broad and diverse group of Charter Tenants
  - Over 140 spaces, and 70 organizations
  - Represent 25 states, plus DC and Puerto Rico
  - Include occupied tenant space, as well as in design and build/fit-out
- EPA is working closely with Charter Tenants (and landlords where involved) to test concept and implementation



# Timeline

- September 2017 – Early 2018
  - EPA works with Charter Tenants to pilot the recognition
  - Refine the criteria and application materials
- 2018
  - First ENERGY STAR Tenant Space recognitions awarded to qualifying Charter Tenants
  - EPA to assess changes needed to bring to the market, and work to introduce recognition for all office spaces
- 2018 and Beyond
  - EPA to consider making recognition available to retail and warehouse tenant spaces



[www.energystar.gov/TenantRecognition](http://www.energystar.gov/TenantRecognition)





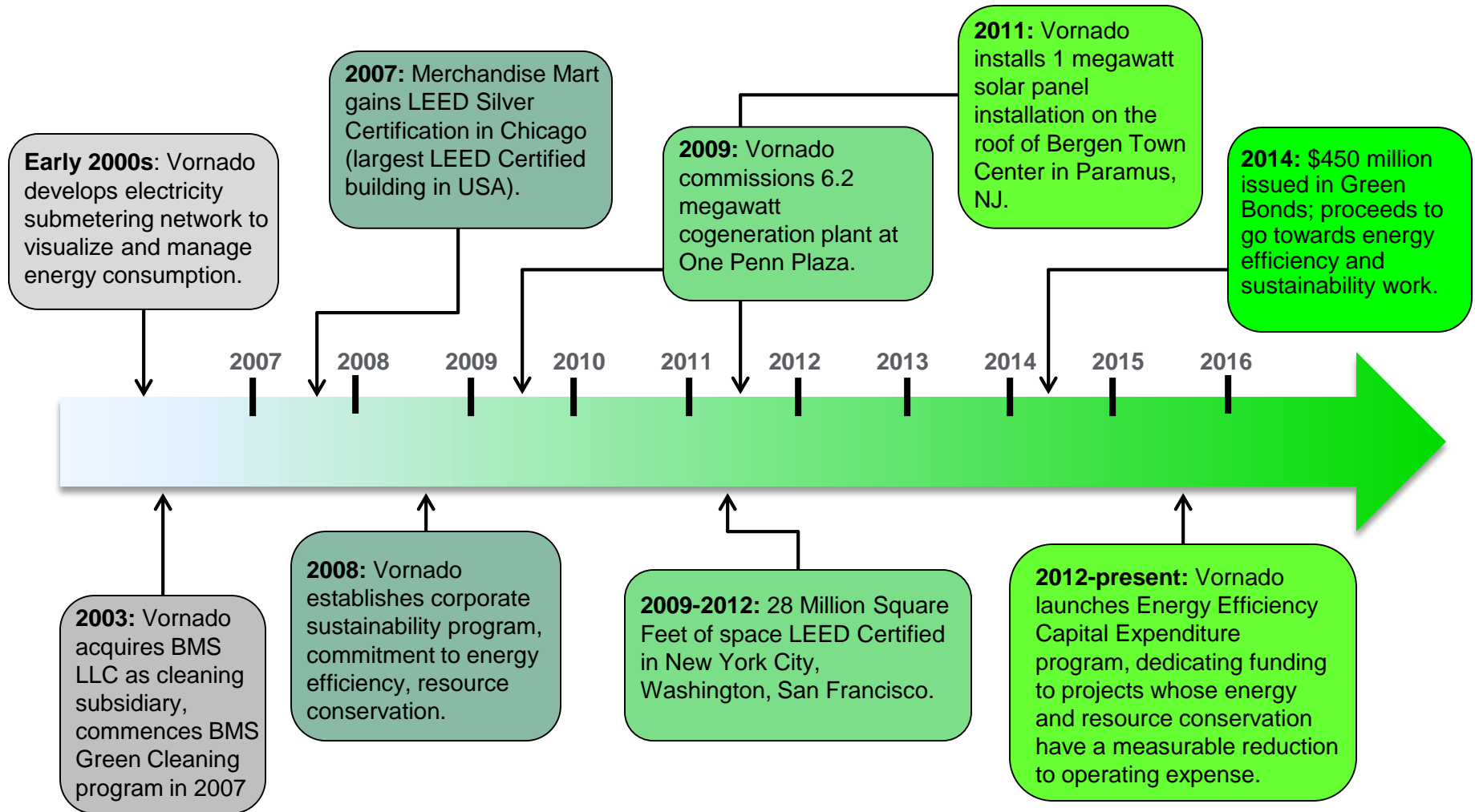


## Engaging Commercial Tenants and Occupants

Daniel Egan  
Vice President, Sustainability & Utilities  
Vornado Realty Trust

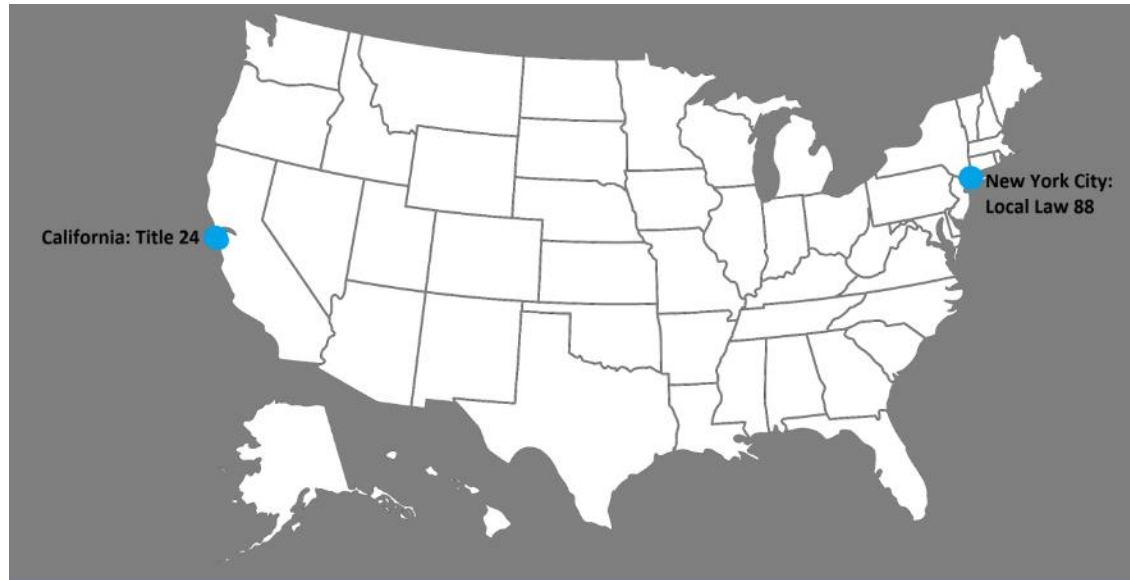


# Vornado Sustainability Timeline





# Submetering Legislation in VNO Markets



## California: Title 24

- Newly installed electrical service must be equipped with metering that measures both instantaneous consumption and demand readings.
- Electrical power distribution systems to permit disaggregation of loads downstream from the service meter

## New York: Local Law 88

- Commercial spaces over 10,000 SF must be submetered if direct meter service is not available.
- Landlords must present tenants with consumption information on a monthly basis.





# Submetering and Energy Efficiency

**Split Incentive:** When tenants do not pay their own electricity, they are not financially incentivized to reduce consumption.

## **The Need to Collaborate:**

Without a transactional relationship in place, Landlord and Tenant often do not interact on energy consumption.

## **Recognized Best Practice:**

Submetering for electricity is a requirement to achieve Energy Star for Tenant designation.

	Resolves Split Incentive Issue	Brings Together Landlord and Tenant
Electric Rent Inclusion	-	-
Direct Meter	X	-
Submeter	X	X

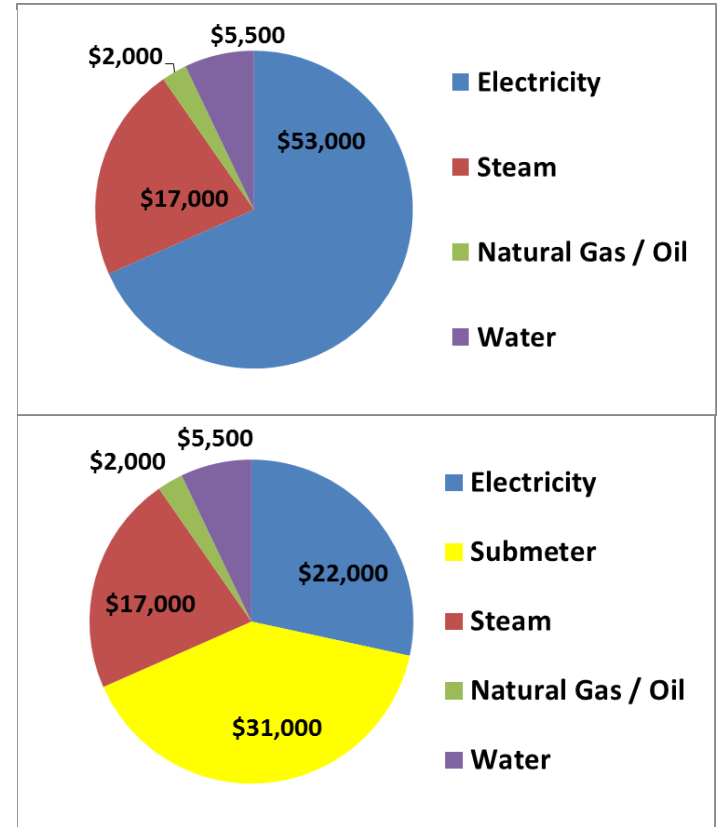


# Portfolio Investment in Submetering

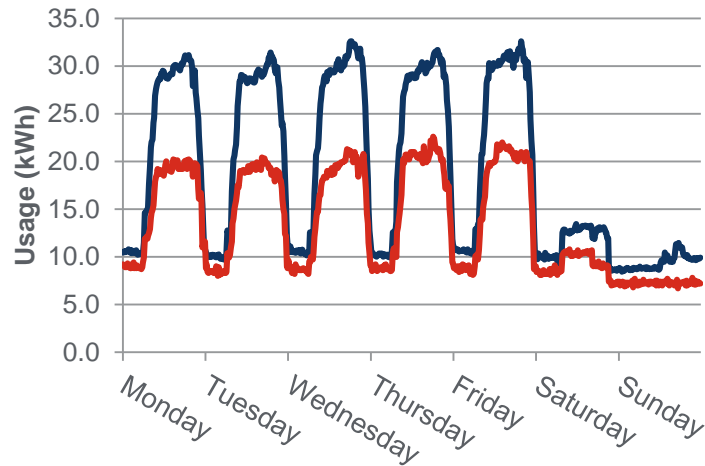
## ELECTRICITY SUBMETER AND DIRECT METER TENANTS BY PROPERTY TYPE

	SUBMETER		DIRECT METER		TOTAL	
	%	TENANTS	%	TENANTS	%	TENANTS
OFFICE	86%	1,098	9%	68	95%	1,166
RETAIL	15%	22	76%	185	91%	207
RESIDENTIAL	9%	310	87%	1,688	96%	1,998
<b>TOTAL</b>	<b>74%</b>	<b>1,430</b>	<b>19%</b>	<b>1,941</b>	<b>93%</b>	<b>3,371</b>

Includes NY, CA, IL properties



# Beyond Just Billing



*Left: Lighting Retrofit Project, Before and After*

*Right: Steam valve repair, before and after*





# Tenant Behavior Impacts Landlord Goals



GHG EMISSIONS REDUCTION GOALS



## LANDLORD EMISSION REDUCTION

**40%**

BY 2026

### What's being cut:

- HVAC-Related Steam
- Fan Systems
- Elevators
- Lighting
- Pump Systems
- Other

## TENANT EMISSION REDUCTION

**30%**

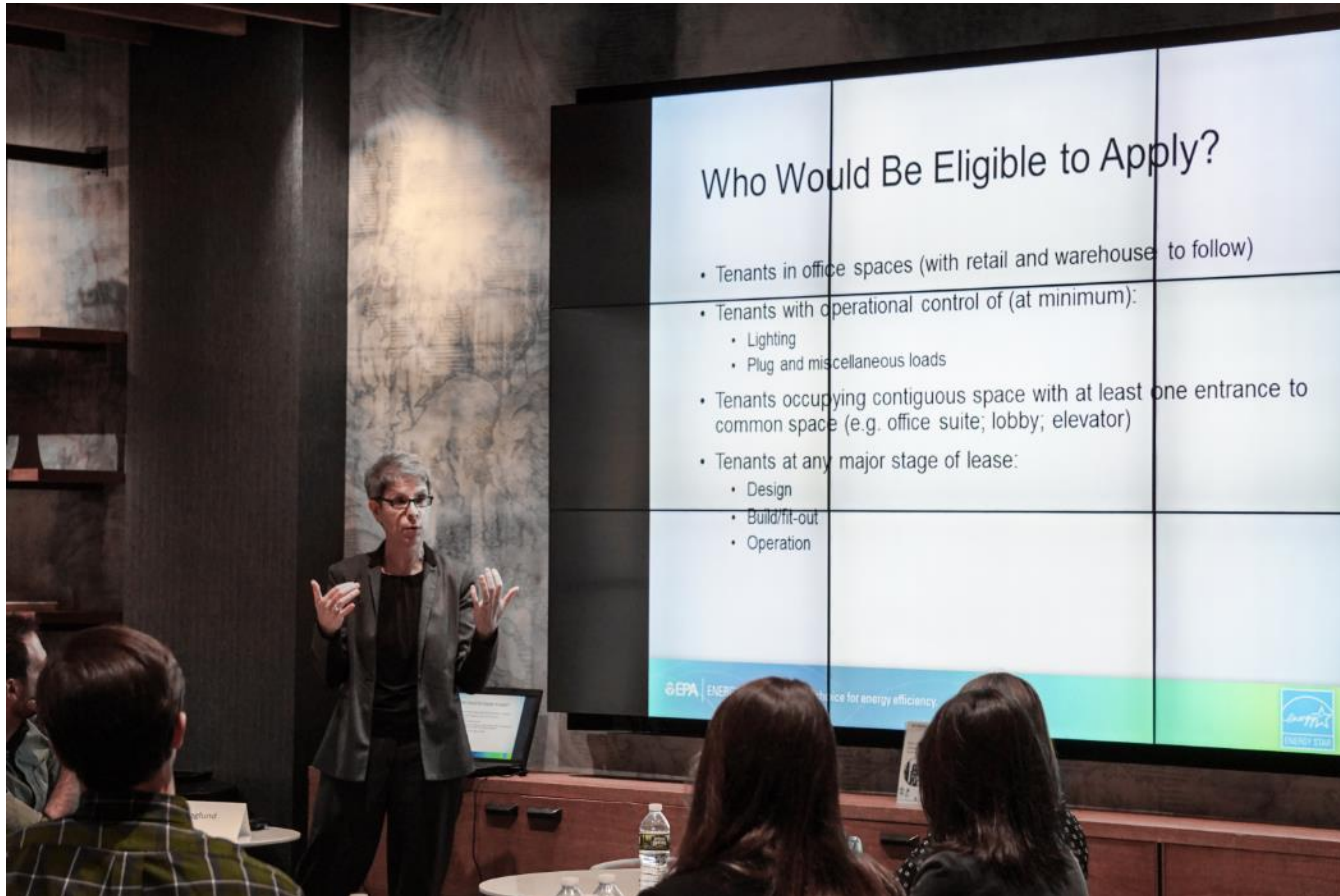
BY 2026

### What's being cut:

- Lighting
- Plugload
- Supplemental HVAC and Other

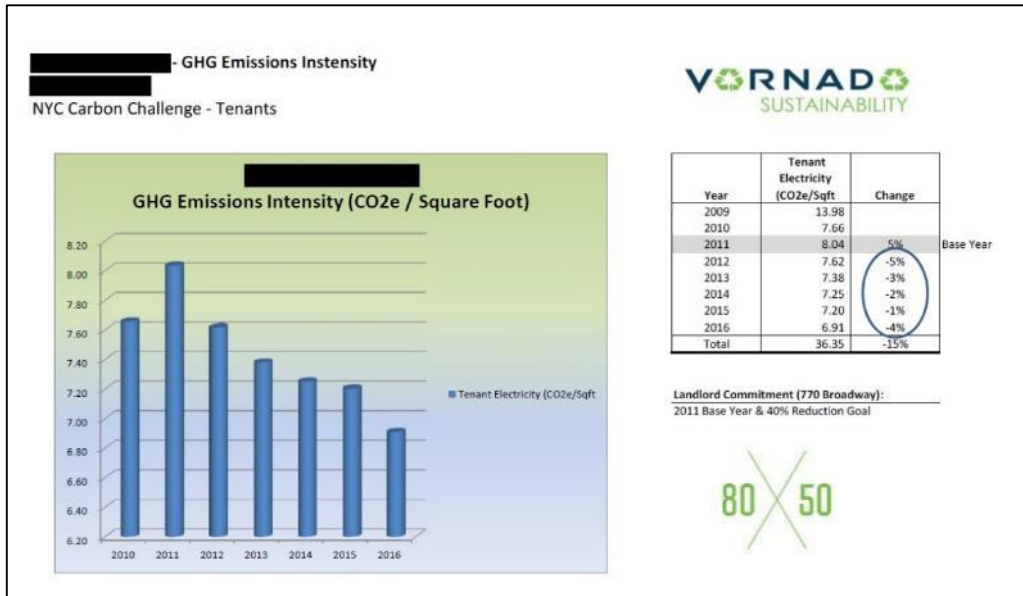


# It's all about Tenant Engagement!



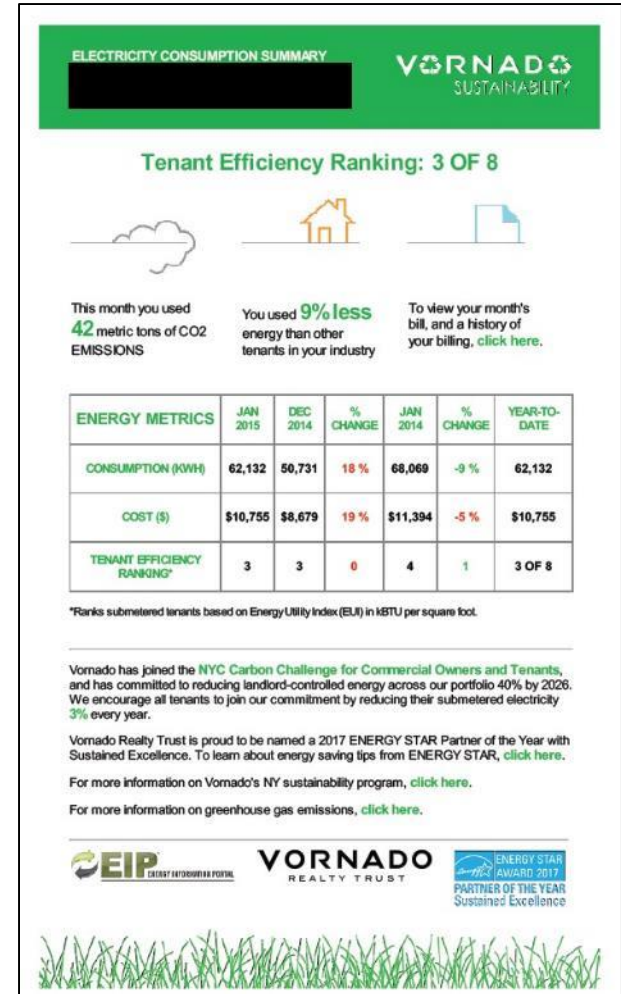


# Empower your Tenants with Relevant Data



*Left: Customized Tenant Baseline Report for NYC 80 x 50 Plan*

*Right: Submeter Billing Notification*





[www.vno.com](http://www.vno.com)

**V**  **RNAD**   
SUSTAINABILITY



STARBUCKS  
COFFEE



## Engaging Commercial Tenants

Will Teichman  
Sr. Director of Strategic Operations  
Kimco Realty Corporation





# KIMCO SNAPSHOT

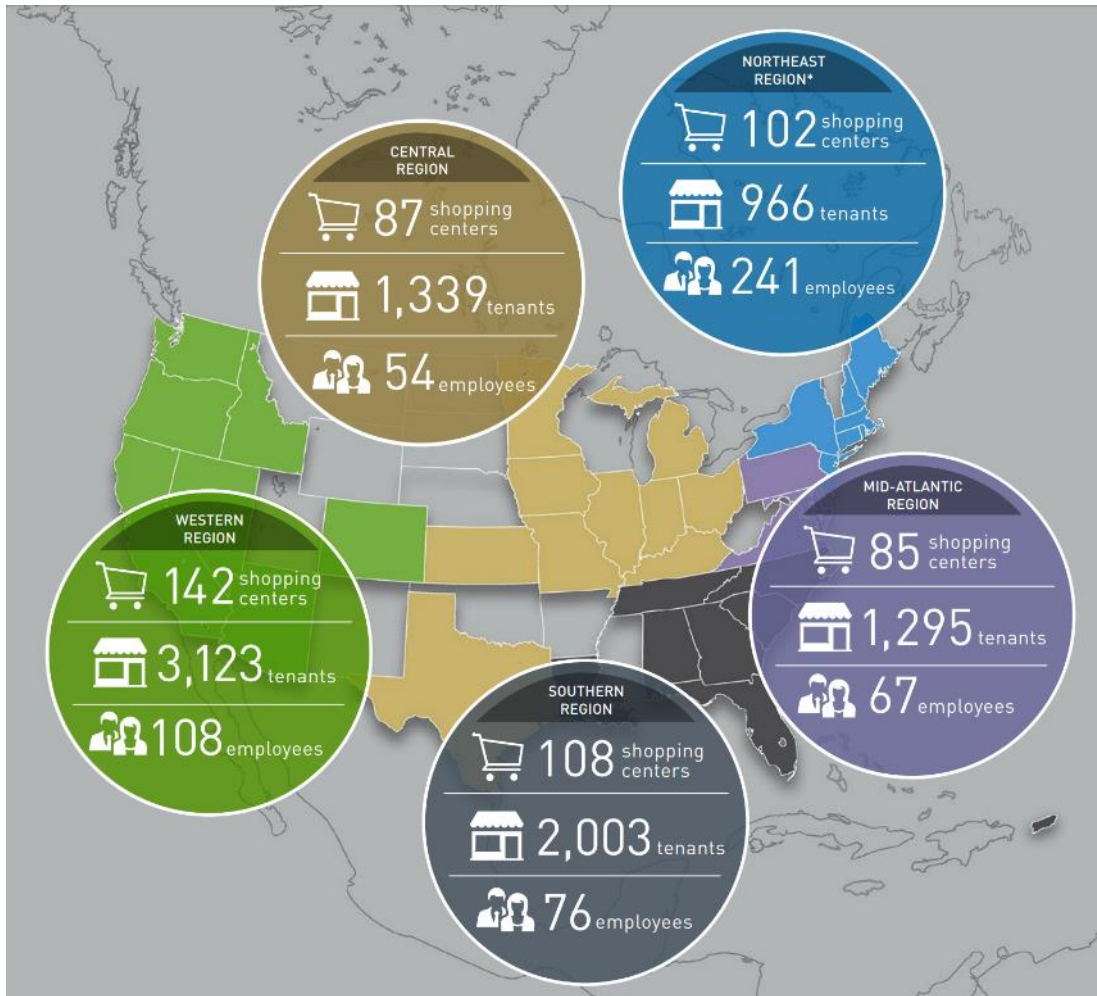


- Kimco Realty Corporation
- 50+ year old Real Estate Investment Trust (REIT)
- One of North America's largest owners and operators of open-air shopping centers
- 545 employees, headquartered in New Hyde Park, NY
- NYSE: KIM, S&P 500 Index
- Launched formal sustainability program in 2011



# NATIONAL PORTFOLIO, LOCALLY MANAGED

Over 500 shopping centers (84 million square feet)  
across the top U.S. metropolitan markets:

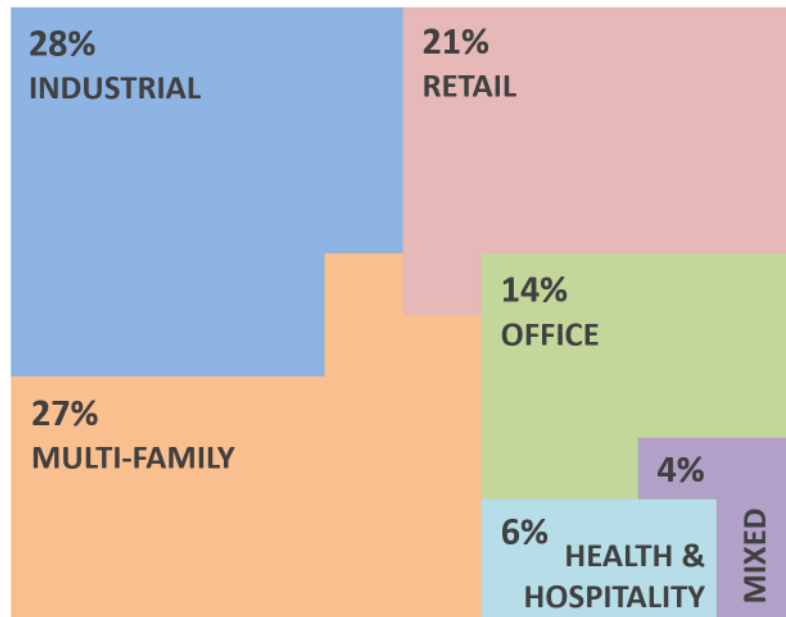


Over 8,000 leased  
tenant spaces, including:



# INDUSTRY CONTEXT: LEASE NORMS

As of 2009, U.S. commercial building stock totaled **84 billion square feet**, broken out into the **following sectors**:



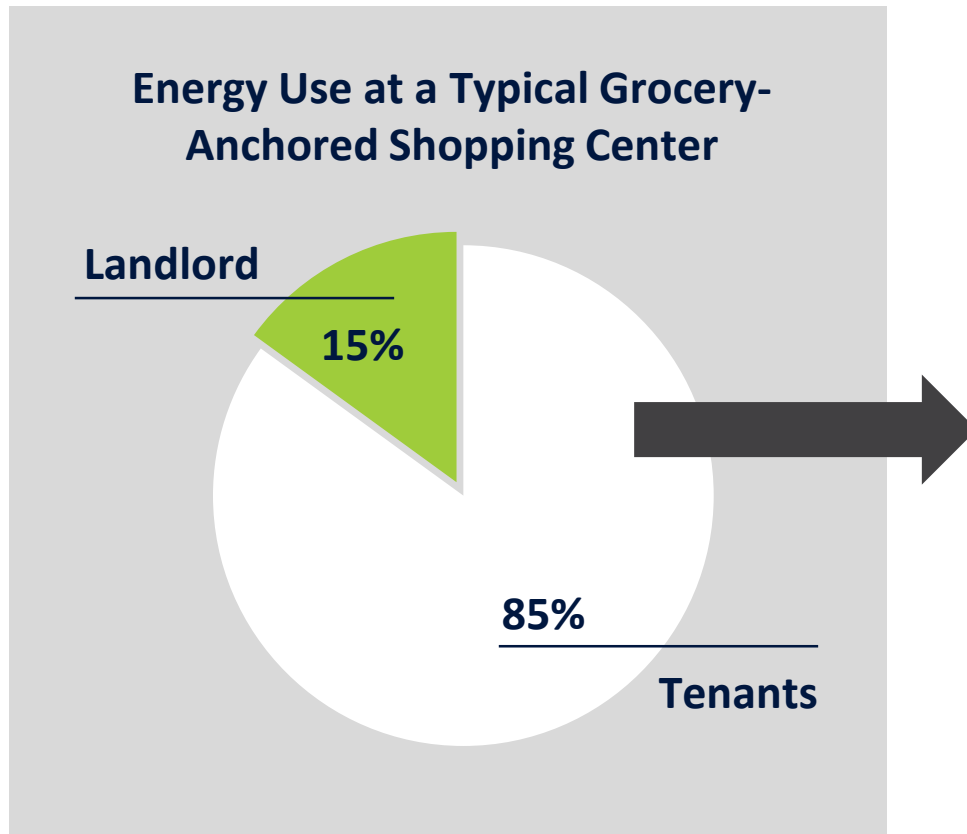
Source: Slicing, Dicing and Scoping the Size of the U.S. Commercial Real Estate Market, Florance et al, © CoStar 2010

Within these sectors, owners generally adhere to the following lease structures:

	Gross Lease	Net Lease
Industrial		
Multi-Family		
Retail		
Office		
Health Care		

- Gross and net leases represent extremes on a continuum of potential lease forms
- In a **gross lease**:
  - Tenant pays a fixed all-inclusive rent that covers the premises, utilities, maintenance, etc.
  - Landlord bears responsibility for most maintenance and building improvement activities
- In a **net lease**:
  - Tenant pays a base rent, then pays operating expenses either directly or through a “pass through” charge
  - Landlord only maintains common areas, and relies on tenant charge recoveries to recoup capital project costs

# INDUSTRY CONTEXT: RETAIL ENERGY USE



- Site infrastructure often dedicates a single utility meter to each tenant
- Net Lease dictates that in situations where they don't control their meter, tenants reimburse landlord for this expense
- Common area energy expenses are included in Common Area Maintenance (CAM) charges





# DRIVING SUSTAINABILITY IN OUR BUSINESS

## Issues

### Energy & Emissions



### Water



### Waste



### Building Materials



## Approach

### Measurement



### Operations



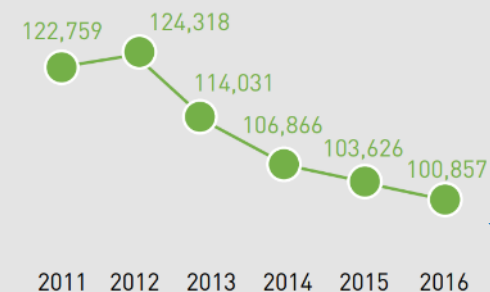
### Retrofits



### Engaging Tenants



### COMMON AREA ENERGY CONSUMPTION<sup>3</sup>



18.2%

● MWH consumed

# ENGAGING TENANTS – CONSTRUCTION STDS



## Overview

- Developed a standard spec for tenant build-outs, as a part of Kimco's green leasing effort
- Spec has two levels:

### Base

- Low or no-cost environmentally preferable materials and construction processes
- Energy Star® and Water Sense® products standard

### Premium (LEED Ready)

- Increased lighting and HVAC efficiency requirements
- Specs set to payback within typical 5-yr lease term

	Base	Premium (LEED Ready)
Exterior Storefront & Signage	●	
Exterior Service Door	●	
Water and Gas Metering	●	
Demising/Corridor Partitions	●	
Ceiling System	●	
Floor Slab/Flooring	●	
Restroom	●	
Restroom Fixtures	●	
Paint	●	
Electrical & Lighting	●	○
Mechanical HVAC System	●	○
Fire Alarm	●	
Life Safety System	●	
Fire Protection System	●	
Roof Penetration	●	
Telephone Conduit	●	

● Environmentally preferable base criteria

○ Enhancement to base criteria

# ENGAGING TENANTS – SUB-METERING



## Overview

- Most properties in Kimco's portfolio were built by another developer
- In many cases, retail properties are "master-metered" (tenants share a meter) due to cost considerations, local/utility norms, etc.
- Pro-rata share (of sq ft) billing is the standard
- Sub-metering our tenants leads to:
  - Tenant access to performance data
  - Fair tenant billing based on actual consumption, leading to improved Kimco recoveries
  - Economic incentive for tenants to conserve

**Goal:** Sub-meter 100% of tenant electric, gas & water by YE 2018.

500  
Properties



~325 (65%)  
In Scope

9,000  
units



~4,600 (50%)  
In Scope







# ENGAGING TENANTS – OPERATIONS



## Overview

- ~85% of utility consumption occurs inside of tenant spaces at open air retail centers
- After paying rent and payroll, retailers expend an additional 5-10% of sales to cover utilities, maintenance, marketing and other expenses
- By helping our tenants improve the efficiency of their operations, the total cost of occupancy at Kimco centers is lower and tenants have a greater likelihood of succeeding

## Tenant Sustainability Tip Sheet

**RESPONSIBILITY**  
Business • Community • Environment

**TENANT SUSTAINABILITY TIPS**

**Why?**

- Green buildings are becoming a competitive advantage for tenants and owners.
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**How?**

- Green buildings are becoming a competitive advantage for tenants and owners.
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**Kimco's Commitment**

Kimco is committed to providing a sustainable environment for our tenants and owners. We are committed to providing a sustainable environment for our tenants and owners. We are committed to providing a sustainable environment for our tenants and owners.

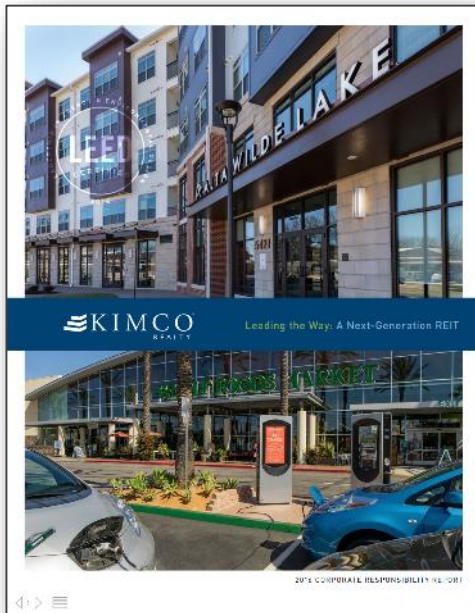
## SCORE Partnership



## Fixed CAM



# FOR MORE INFORMATION



## Corporate Responsibility Site

<http://kimcocr.com>

## 2016 Corporate Responsibility Report

<https://www.kimcorealty.com/asset/file/cr-report-2016/pdf/1007/view>

## Contact Info:

### Will Teichman

Senior Director of Strategic Operations

Kimco Realty Corporation

[wteichman@kimcorealty.com](mailto:wteichman@kimcorealty.com)